

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

AMEMBASSY MADRID

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FOLLOWING REPEAT MTN GENEVA 2317 ACTION SECSTATE INFO ALL OECD  
CAPITALS BRASILIA BUENOS AIRES CAIRO MEXICO NEW DELHI MAR 26.

QUOTE: LIMITED OFFICIAL USE MTN GENEVA 2317

PASS STR FOR INFO ELECTRICALLY

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRO MTN

SUBJECT: MTN: TARIFFS GROUP MEETING, MARCH 24, WEDNESDAY

1. SUMMARY. U.S. FORMULA PRESENTATION SET FRAME OF  
REFERENCE FOR A SECOND DAY'S DISCUSSION. DELEGATES ACKNOWLEDGED  
THAT A SIGNIFICANT INITIATIVE HAD BEEN TAKEN WHICH SHOULD  
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LEND NEW MOMENTUM TO TALKS. DISCUSSION WAS VERY BUSINESS-  
LIKE. DELEGATIONS AVOIDED POSTURING AND MADE GENERALLY  
CONSTRUCTIVE REMARKS.

VIRTUALLY ALL SPEAKERS AGREED THAT SIGNIFICANT CUTS WITH HARMONIZATION, MAXIMUM RESTRAINT ON EXCEPTIONS LISTS, AND PARALLEL REDUCTION OF NTM'S AND TARIFF BARRIERS ARE PRIMARY GOALS OF THESE NEGOTIATIONS. SOME WANTED EXCEPTIONS PROCEDURES DETERMINED IN ADVANCE, OR CONCURRENTLY WITH A FORMULA. LDC'S WANTED EXCEPTIONS AS A WAY OF PRESERVING GSP MARGINS AND DEVOTED MOST ENERGIES TO PLEAS FOR EXPANDED AND MORE SECURE GSP. EC PROPOSAL ON SPECIAL PROCEDURES FOR DEVELOPING COUNTRIES (REFTEL) ATTRACTED LDC INTEREST.

OTHER DC DELS HAD LITTLE NEW TO SAY ON A FORMULA EXCEPT THAT CANADA RENEWED EARLIER PROPOSAL IN ITS ENTIRETY. CRITICISM OF SPECIFIC U.S. PROPOSAL WAS MATTER OF FACT IN TONE.

FOLLOWING PARAGRAPHS DESCRIBE DETAILS OF SESSION AND ARE ORGANIZED ALONG LINES OF SUBSTANTIVE ISSUES TAKEN UP. END SUMMARY.

2. OBJECTIVES. THERE WAS ALMOST UNANIMOUS SUPPORT FOR U.S. FORMULA OBJECTIVES OF SUBSTANTIAL TARIFF CUTS WITH HARMONIZATION, MINIMUM EXCEPTIONS, LINK WITH NEGOTIATIONS ON NON-TARIFF MEASURES, AND SPECIAL CONSIDERATION FOR LDC'S.

A. CANADA (GREY) WEIGHED IN STRONGLY FOR BROAD, DEEP CUTS, ASKING MAXIMUM USE OF U.S. TRADE ACT AUTHORITY. IT WANTED TARIFF-CUTTING HYPOTHESIS WHICH WOULD YIELD GREATER THAN KR CUTS AMONG DC'S AND ELIMINATE TARIFF DISPARITIES IN RESOURCE-BASED INDUSTRIES AND IT CRITICIZED U.S. FOR NOT USING TA AUTHORITY TO ELIMINATE LOW TARIFFS. IT DECLARED THAT U.S. PROPOSAL WOULD BE POOR DEAL FOR CANADA, TWO-THIRDS OF WHOSE EXPORTS TO U.S. ARE DUTIABLE AT LESS THAN 5 PER CENT AND CONCLUDED THAT U.S. DECISION TO REDUCE BUT NOT ELIMINATE LOW DUTIES WILL BE SEEN AS DECISION TO MAINTAIN TARIFF BARRIERS, SINCE CANADIAN BUSINESS DRAWS CLEAR DISTINCTION BETWEEN FREE ENTRY AND SIMPLE REDUCTION OF LIMITED OFFICIAL USE  
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LOW DUTIES.

B. EC (LUYTEN) CALLED FOR SUBSTANTIAL CUTS WITH HARMONIZATION AND DECLARED THAT BEST WAY TO ACHIEVE THIS IS BY REDUCING "PEAKS AND SUMMITS" IN ORDER TO YIELD COMPARABLE "TARIFF PROFILES" AMONG MAJOR PARTICIPANTS. EC CRITICIZED U.S. PROPOSAL AS ESSENTIALLY LINEAR, WITH SMALL HARMONIZATION EFFECT DUE TO TA'S 60 PERCENT LIMIT ON CUTS IN HIGH TARIFFS.

C. JAPAN (TSURUMI) STRESSED IMPORTANCE OF SUBSTANTIAL CUTS, HARMONIZATION, MINIMUM EXCEPTIONS, AND CONCESSIONS

TO LDC'S. HE CHARACTERIZED U.S. PROPOSAL AS ESSENTIALLY LINEAR.

D. SWEDEN (COLLIANDER) ON BEHALF OF NORDICS WELCOMED U.S. FORMULA WITH DEEP CUTS, AND ALTHOUGH HARMONIZATION ELEMENTS IN U.S. PROPOSAL WAS LIMITED, NORDICS ENCOURAGED THAT CONCEPT HAS GAINED WIDER ACCEPTANCE. SWEDES WOULD PREFER LARGER HARMONIZATION ELEMENTS EVEN AT EXPENSE OF DEPTH OF CUT TO LAY GROUNDWORK FOR MORE LIBERALIZATION IN A FUTURE MTN.

E. SWITZERLAND (DUNKEL) ALSO WELCOMED U.S. ACCEPTANCE OF HARMONIZATION OBJECTIVE AND AGREED WITH NORDICS THAT DIFFERENCES AMONG TARIFF STRUCTURES SHOULD BE REDUCED IN MTN.

F. AUSTRALIA (RYAN) INSISTED THAT TARIFF FORMULA TAKE ACCOUNT OF DC'S WHICH ARE "NOT MATURE, INDUSTRIAL ECONOMIES." SOUGHT BALANCE OF CONCESSIONS IN TARIFFS, EXCEPTIONS, NTB'S SECTORS. NEW ZEALAND AGREED.

G. AUSTRIA THOUGHT U.S. HARMONIZATION ELEMENT TOO LIMITED.

3. TYPE OF FORMULA. THERE WERE NO NEW PROPOSALS BY ANYONE BUT U.S. CANADA REPEATED ITS THREE-TIERED APPROACH, NOTING THAT CUTS IN 5-20 PERCENT RANGE COULD BE LINEAR, A WEIGHTED AVERAGE OR SOME PROGRESSIVE FORMULA. EC STRESSED IMPORTANCE OF REDUCING HIGHEST TARIFFS AND FORMALLY LIMITED OFFICIAL USE  
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MAINTAINED EC SPONSORSHIP OF Y EQUALS X INERATED "SEVERAL TIMES," WITHOUT SPECIFYING HOW MANY. JAPAN REMINDED GROUP OF TWO FORMULAS IT SUGGESTED LAST YEAR.

4. PRODUCT COVERAGE.

A. CANADA SAID FORMULA MUST COVER AGRICULTURE AND FISHERIES PRODUCTS AS WELL AS MANUFACTURES AND PRODUCT COVERAGE MUST BE KNOWN PRIOR TO CARRYING OUT DOMESTIC CONSULTATIONS.

AUSTRALIA, NEW ZEALAND ALSO SAID APPLICATION OF FORMULA TO AGRICULTURE ESSENTIAL.

B. EC WANTS FORMULA APPLIED ONLY TO MANUFACTURES. NORDICS, AUSTRIA, SPAIN AS WELL AS EC, SAID AGRICULTURE SHOULD BE HADLED IN GROUP AGRICULTURE.

C. JAPAN CALLED FOR TABLING OF AGRICULTURE OFFERS AS IN KR TO REFLECT "REALITIES OF SPECIAL CHARACTERISTICS

OF AGRICULTURE."

5. EXCEPTIONS AND TARIFF FLOOR. SEVERAL DELEGATIONS NOTED LINKAGE BETWEEN DEPTH OF THE CUTS CALLED FOR BY A PARTICULAR TARIFF FORMULA AND THE LIKELY LEVEL OF EXCEPTIONS. IN SOME CASES LINKAGE WAS EXTENDED TO INCLUDE QUESTION OF A TARIFF FLOOR AND WHETHER ITEMS FALLING UNDER AN IMPLIED OR EXPLICIT FLOOR SHOULD BE CONSIDERED EXCEPTIONS. THE DC'S SPLIT INTO THREE GROUPS (1) THOSE CONTENDING THAT A TOO AMBITIOUS TARIFF HYPOTHESIS WOULD RESULT IN NUMEROUS EXCEPTIONS; (2) THOSE WHO WANT THE DEVELOPMENT OF RULES AND PROCEDURES ON EXCEPTIONS TO PROCEED CONCURRENTLY WITH NEGOTIATIONS ON THE TARIFF FORMULA; AND (3) THOSE WHO PREFER TO BRING THE EXCEPTIONS QUESTION INTO THE OVERALL TARIFF PLAN AFTER GENERAL AGREEMENT HAS BEEN REACHED ON THE FORMULA. THERE WAS NO REFERENCE TO U.S. STATEMENT ON ROUNDING AND ITS IMPLICATIONS FOR A TARIFF FLOOR.

A. CANADA RE-EMPHASIZED POSITION THAT MODALITIES AND PROCEDURES FOR EXCEPTIONS MUST BE DEALT WITH NOW, NOT LATER AND SEPARATELY, AND SET OUT FOUR POSSIBLE CRITERIA RELATED LIMITED OFFICIAL USE  
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TO CLAIMS FOR EXCEPTIONS:

I. EXCEPTIONS NOT TO BE PERMITTED IF MFN IMPORTS ARE AN INSIGNIFICANT SHARE OF DOMESTIC UNSUMPTION;

II. EXCEPTIONS NOT TO EXCEED AN AGREED LIMIT;

III. PARTIAL CUTS TO BE OFFSET BY GREATER THAN FORMULA CUTS;

IV. LONGER STAGING TO BE PREFERRED TO A PARTIAL CUT OR FULL EXCEPTION.

CANADA ALSO STATED THAT IT CONSIDERED EXCEPTIONS DESIGNED TO MAINTAIN GSP MARGINS NO DIFFERENT FROM OTHER EXCEPTIONS.

B. EC FOUND IT HARD TO SUPPORT IDEA OF MINIMUM EXCEPTIONS WITHOUT PROGRESS CONCERNING PRINCIPLES FOR EXCEPTIONS, BUT NEVERTHELESS CONSIDERED TIME NOT YET APPROPRIATED FOR DISCUSSION OF POSSIBLE PRINCIPLES. EC CAUTIONED AGAINST A FORMULA WHICH IS SO AMBITIOUS THAT IT LOSES ALL POWER OF CONVICTION, CITING HIGH PROBABILITY THAT MAXIMUM EXCEPTIONS WILL RESULT FROM FORMULAS CALLING FOR DEEP REDUCTIONS.

C. JAPAN SUPPORTED EC VIEWS AND EXPRESSED FEAR THAT, GIVEN ECONOMIC CONDITIONS TODAY, AN AMBITIOUS FORMULA YIELDING A LONG LIST OF EXCEPTIONS WOULD LEAD TO LONG AND

DIFFICULT NEGOTIATIONS. THEREBY NEGATING ADVANTAGES OF AN AMBITIOUS PLAN.

D. NORDICS TOOK POSITION SIMILAR TO U.S. THAT SPECIFIC NEEDS OF PARTICULAR COUNTRIES REGARDING EXCEPTIONS CANNOT BE DEALT WITH UNTIL MORE PROGRESS IS MADE ON FORMULA. THEY WERE ONLY DELEGATION TO REFER TO KR CONFRONTATION AND JUSTIFICATION PROCEDURES BUT RAISED THIS MAINLY IN CONTEXT OF WAY TO DEAL WITH PRODUCTS OF INTEREST TO LDC'S.

E. SWITZERLAND MADE MOST USEFUL INTERVENTION OF THE DAY UNDERMINING ARGUMENTS OF OTHERS THAT LESS AMBITIOUS REDUCTION FORMULA SHOULD BE ADOPTED SO AS TO MINIMIZE EXCEPTED OFFICIAL USE  
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TIONS. IT RECALLED HISTORICAL EXPERIENCE WITH EXCEPTIONS IN OTHER NEGOTIATIONS THAT CERTAIN CANDIDATES FOR EXCEPTIONS WILL EXIST IN EACH COUNTRY NO MATTER WHAT THE FORMULA. THEREFORE, AN AMBITIOUS FORMULA MUCH BETTER. IN ADDITION, EVERY EFFORT MUST BE MADE TO MINIMIZE EXCEPTIONS TO AVOID MUSHROOMING EFFECT OF EACH COUNTRY WITHDRAWING OFFERS IN RESPONSE TO AN EXCEPTION BY ANOTHER. IN LATER INTERVENTION, SWISS ALSO SUGGESTED THAT SINCE MOST DC'S WILL LIKELY HAVE DIFFICULTIES WITH SOME SECTORS THERE MAY NEED TO BE A PARALLEL NEGOTIATION ON EXCEPTIONS "WHICH WILL BE THERE IN ANY CASE."

F. OTHERS--AUSTRALIA AGAIN SUGGESTED THAT ACCOUNT NEEDS TO BE TAKEN OF THE LIBERALIZING ACTIONS WHICH SOME COUNTRIES HAVE TAKEN SINCE THE KR (REFERENCE TO AUSTRALIA'S UNILATERAL TARIFF CUTS IN 1973) AND SUPPORTED CANADIAN VIEW THAT IT IS NOT TOO EARLY TO BEGIN DISCUSSION OF EXCEPTIONS. IN ONLY REFERENCE TO FLOOR OR TARIFF THRESHOLD, AUSTRALIA WANTS FLOOR DISCUSSED IN CONTEXT OF EXCEPTIONS. AUSTRIA AND NEW ZEALAND FOLLOWED SAME BASIC THEMES.

6. COUNTRY COVERAGE. LITTLE CHANGE WAS NOTED FROM PREVIOUS POSITIONS AS TO WHICH COUNTRIES WOULD ADHERE TO THE TARIFF HYPOTHESIS.

A. CANADA AGAIN LINKED PARTICIPATION IN FORMULA REDUCTIONS TO "FULL UNDERSTANDING FOR OUR POSITION" WITH PARTICULAR FOCUS ON RELATIONSHIP TO U.S. WHILE LINKAGE OF PARTICIPATION TO ACCEPTANCE OF PROPOSALS ON EXCEPTIONS AND SECTORS WAS MAINTAINED. THERE WAS PERHAPS LESS EMPHASIS ON THESE AS PRE-CONDITIONS (PERHAPS HOLDING OUT POSSIBILITY THAT AGREEMENT BY U.S. TO ELIMINATE PARTICULAR DUTIES IN RESOURCE-BASED SECTORS MIGHT ITSELF BE SUFFICIENT JUSTIFICATION FOR CANADA TO ADHERE TO FORMULA).

B. EC ASSUMES TARIFF HYPOTHESIS WILL BE ADOPTED BY ALL DEVELOPED MARKET ECONOMIES.

C. AUSTRALIA AND NEW ZEALAND REITERATED POSITION THAT AN OVERALL PLAN MUST BE ADOPTED WHICH WILL ENABLE MAXIMUM PARTICIPATION. PLAN MUST OF COURSE TAKE ACCOUNT OF SIZE, CAPACITY, TRADE AND ECONOMIC CIRCUMSTANCES OF EACH DC SO THAT LIMITED OFFICIAL USE  
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SOME COMBINATION OF APPROACHES IS NEEDED. BOTH FOCUSED PARTICULARLY ON RECIPROCITY (BALANCE OF ADVANTAGES) INDICATING THAT THIS COULD NOT MEAN EQUIVALENT COMMITMENT TO REDUCTIONS OF DUTIES. WHILE NO REJECTING PARTICIPATION IN TARIFF REDUCTION PLAN OUTRIGHT, BOTH OBVIOUSLY EXPECT SPECIAL TREATMENT UNDER RULES FOR EXCEPTIONS AND BALANCING OF CONCESSIONS.

7. RELATIONSHIP TO NTM'S. MOST SPEAKERS MADE PARTICULAR REFERENCE TO AND EXPRESSED COMPLETE SUPPORT FOR U.S. VIEW THAT TARIFFS CANNOT BE VIEWED IN ISOLATION FROM OTHER ASPECTS OF THE NEGOTIATIONS, PARTICULARLY THE NTM'S. CONSENSUS WAS THAT THESE VARIOUS ELEMENTS MUST BE BROUGHT TOGETHER AS NEGOTIATIONS BEGIN TO DRAW TO A CLOSE. SWITZERLAND EMPHASIZED, HOWEVER, THAT TARIFF HYPOTHESIS IS STILL THE CENTERPIECE OF THE NEGOTIATIONS. THE EC, JAPAN AND NORDICS DID NOT COMMENT.

8. TIMING. MOST DELEGATIONS NOTED NEED TO STUDY CAREFULLY IMPLICATIONS OF U.S. FORMULA. CANADA PROBABLY MOST NEGATIVE IN THIS RESPECT, SUGGESTING INABILITY EVEN TO BEGIN CANADIAN DOMESTIC CONSULTATIONS UNTIL PRODUCT COVERAGE SETTLED.

9. LDC COMMENTS. BANGLADESH, NIGERIA, VENEZUELA AND ARGENTINA COMMENTED ON TARIFF PROPOSAL AND RELATIONSHIP TO S&D GENERALLY EXPRESSING CONCERN THAT U.S. FORMULA PROPOSAL EITHER CUTS TOO DEEPLY TO ALLOW FOR MEANINGFUL GREATER-THAN-FORMULA CUTS FOR LDC'S OR MAKES NO SPECIAL PROVISION FOR PROTECTING GSP MARGINS. BANGLADESH WENT OVER SAME GROUND AS INDIAN DELEGATION ON PREVIOUS DAY, BUT ADDED THAT SPECIAL FORMULATION MIGHT BE POSSIBLE UNDER FORMULA APPROACH TO BENEFIT LEAST DEVELOPED LDC'S. NIGERIA AND VENEZUELA BOTH USED OPPORTUNITY TO CALL ATTENTION TO U.S. DENIAL OF GSP TREATMENT TO THEM, SUGGESTING THIS HAMPERED THEIR ABILITY TO SUPPORT THE U.S. HYPOTHESIS. ARGENTINA FELT THAT SINCE LITTLE RECOGNITION GIVEN TO LDC INTERESTS IN FORMULA APPROACH, BEST HYPOTHESIS WOULD BE THE LEAST CUT POSSIBLE.

10. U.S. REPLY. AT OPENING OF AFTERNOON SESSION, U.S. (AMB. WALKER) COMMENTED ON THOSE OBSERVATIONS MADE LIMITED OFFICIAL USE  
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BY OTHER DELEGATIONS WHICH DEALT WITH CERTAIN RECURRING THEMES AND SUMMARIZED WHAT U.S. BELIEVED WAS ACCOMPLISHED AT THE MEETING. AT OUTSET U.S. RECOGNIZED THAT THE OBSERVATIONS OF THEIR DELEGATIONS WERE NECESSARILY PRELIMINARY. U.S. DID, HOWEVER, FIND DISCUSSIONS MOST FRUITFUL AND FELT THEY ADVANCED GROUP TOWARD AGREEMENT. THREE SPECIFIC ISSUES MERITED SPECIAL COMMENT:

A. LOW DUTIES -- ATTENTION WAS CALLED TO IMPORTANT DIFFERENCE BETWEEN U.S. AND SEVERAL OTHER FORMULAS WHICH CALL FOR EXPLICIT OR IMPLICIT FLOORS. WHILE U.S. HYPOTHESIS DOES NOT USE FULL AUTHORITY OR CALL FOR SAME REDUCTIONS AT LOW END AS AT THE HIGH END, REDUCTIONS ARE STILL VERY DEEP. IT ALSO NOTED THAT SOME LDC'S COMPLAINED THAT DEPTH OF CUT BY U.S. PROPOSAL SO GREAT THAT AFTER FORMULA CUTS ARE APPLIED TO LOW DUTIES, THE SCOPE FOR DEEPER-THAN-FORMULA REDUCTIONS IS EXTREMELY LIMITED. BY CONTRACT, CANADA COMPLAINED THAT CUTS RESULTING FROM U.S. FORMULA WERE OF LIMITED VALUE. U.S. POINTED OUT THAT APPLICATION OF HARMONIZATION IMPLIED LESSER CUTS IN LOW DUTIES AND THAT SERIOUS DIFFERENCES SUCH AS THESE WOULD HAVE TO BE DEALT WITH IN THE MONTHS AHEAD. U.S. PROPOSAL, NEVERTHELESS, DOES CALL FOR VERY SUBSTANTIAL CUTS AND U.S. DOES NOT RULE OUT POSSIBILITY OF AGREEMENT TO REDUCE DUTIES BELOW 5 PERCENT TO ZERO IN PARTICULAR ITEMS OF INTEREST TO PARTICULAR COUNTRIES.

B. HARMONIZATION ELEMENT -- WHILE SOME DELEGATIONS CALLED THE HARMONIZATION ELEMENT IN THE U.S. HYPOTHESIS MODEST, U.S. STRESSED THAT THE DECISION TO EMBRACE HARMONIZATION SHOULD NOT BE UNDERESTIMATED. STATEMENT HIGHLIGHTED EFFECTS OF U.S. PROPOSAL NOT ONLY HIGH DUTIES BUT ALSO MEDIUM DUTIES, IN CONTRAST WITH Y EQUALS X. SINCE 30 PERCENT OF DUTIABLE TARIFF LINES FOR THE GATT TARIFF STUDY COUNTRIES FALL BELOW 6.67 PERCENT, THE HARMONIZATION ELEMENT IN THE U.S. FORMULA IS SIGNIFICANT, I.E., THE LESSER REDUCTIONS BELOW 6.67 PERCENT COVER A SIGNIFICANT RANGE OF DUTIABLE ITEMS. IN ADDITION, U.S. NOTED THAT THE LINEAR ELEMENT ITSELF PRODUCES A SIGNIFICANT AND AUTOMATIC HARMONIZATION EFFECT LIMITED OFFICIAL USE  
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SINCE THE ABSOLUTE DIFFERENCE BETWEEN HIGHER DUTIES IS REDUCED, E.G., A 25 PERCENT DUTY REDUCED TO 10 PERCENT AND A 15 PERCENT DUTY REDUCED TO 6 PERCENT YIELDS A CHANGE FROM A 10 POINT SPREAD TO A FOUR POINT SPREAD. ALSO, ONLY 10 PERCENT OF DUTIABLE TARIFF LINES FALL ABOVE THE 25 PERCENT DUTY LEVEL, SO U.S. BELIEVES MAJOR FOCUS

SHOULD NOT BE ON THOSE, BUT RATHER ON MEDIUM RANGE WHERE MOST TARIFF LINES AND MOST TRADE FALLS. IN ANY EVENT, IT NOTED U.S.S. PROPOSAL CALLS FOR 60 PERCENT REDUCTION -- OR MAXIMUM AUTHORITY -- IN THE HIGH RANGE. FINALLY, 46.3 PERCENT OF ALL ITEMS IN THE 11 COUNTRY AVERAGE FALL IN THE 5-15 PERCENT RANGE AND THE EC'S COMMENTS ON THE U.S. PROPOSAL WERE NOTABLE FOR FAILURE TO EMPHASIZE REDUCTIONS IN THIS RANGE. IF THE EC BELIEVES (AS IT HAD ARGUED EARLIER IN THE DAY) THAT TARIFFS IN THIS RANGE WERE NOT THE EFFECTIVE ONES THAT NEEDED TO BE DEALT WITH, THERE SHOULD BE NO DIFFICULTY REDUCING THEM. U.S. FINDS THIS RANGE IMPORTANT AND WISHES TO CONCENTRATE ON IT. TO CALL ATTENTION TO THE LACK OF SPECIFIC PROPOSALS BY THE EC, THE U.S. STATED IT WAS ANXIOUS TO RECEIVE A CONCRETE PROPOSAL SINCE THE EC ALSO SUPPORTED HARMONIZATION - PROVIDED SUCH A PROPOSAL WOULD ACHIEVE SIGNIFICANT OVERALL REDUCTIONS.

C. LINKAGE TO EXCEPTION -- U.S. APPRECIATED INTERVENTION BY SWITZERLAND REGARDING PRODUCTS AND SECTORS WHICH TRADITIONALLY FIGURE IN EXCEPTIONS AND SUGGESTED THAT THE GROUP SHOULD TAKE THIS FACTOR INTO ACCOUNT. THE U.S. THEN SUMMARIZED ELEMENTS OF THE U.S. PROPOSAL WHICH GAINED SUPPORT FROM A LARGE NUMBER OF SPEAKERS: (1) SIGNIFICANT OVERALL REDUCTIONS WITH HARMONIZATION; (2) MAXIMUM RESTRAINT TO MINIMIZE EXCEPTIONS; AND (3) NIM'S MUST ALSO BE LIBERALIZED AS PART OF A TARIFF NEGOTIATING PLAN. FINALLY, THE U.S. STATED IN LIGHT OF TIME U.S. HAD TAKEN TO DEVELOP ITS PROPOSAL, IT DID NOT EXPECT IMMEDIATE REACTION, BUT EXPRESSED HOPE THAT OTHERS WOULD CONSIDER THIS A PRIORITY ITEM.

11. SPECIAL AND DIFFERENTIAL TREATMENT. LDC STATEMENTS FOCUSED ON WHAT THEY VIEWED AS SHORTCOMINGS IN BOTH LIMITED OFFICIAL USE  
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EC AND U.S. VIEWS ON SPECIFIC S&D MEASURES MUST BE ACCEPTED IN PRINCIPLE PRIOR TO IMPLEMENTATION OF ANY PROCEDURAL MECHANISM. BRAZIL (BIER) AND INDIA (CHADHA) EMPHASIZED NEED FOR PREFERENTIAL TREATMENT FOR LDC'S IN TARIFFS AREA. BOTH RETURNED TO THEME OF BINDING PREFERENTIAL MARGINS AND ADVANCE IMPLEMENTATION OF "MFN" CUTS IN FAVOR LDC'S. BRAZIL ACKNOWLEDGED U.S. CONSTRAINED BY TRADE ACT TO MFN REDUCTIONS, BUT SUGGESTED WE MIGHT BE ABLE TO STRETCH TITLE V AUTHORITY TO ACCOMMODATE THEIR SUGGESTIONS. INDIA PROPOSED ESTABLISHMENT OF MECHANISM FOR CONSULTATIONS BETWEEN DC'S AND LDC'S TO BE USED WHENEVER GSP TO BE REMOVED ON PRODUCTS OR ITS BENEFITS WITHDRAWN. IT ALSO WANTED FLEXIBLE STAGING USED ONLY IN CASES WHERE IT WOULD



IMPROVE CONCESSIONS ON LDC EXPORT INTEREST ITEMS.  
MAINTENANCE AND IMPROVEMENT OF GSP MENTIONED AT LENGTH  
BY INDIA. IT STILL SEEKS COMMITMENTS FOR PROLONGATIONS  
OF GSP AND ASSURANCE THAT EROSION OF MARGINS  
DUE TO MFN REDUCTIONS WILL BE OFFSET BY EXTENDING  
SCOPE (PRODUCTS) AND IMPROVING DUTY TREATMENT (ELIMINA-  
TION OF QUOTAS, CEILINGS) OF GSP.

YUGOSLAVIA (TUMIC) NOTED THAT IT STILL THOUGHT S&D  
SHOULD INCLUDE NONDISCRIMINATORY APPLICATION OF GSP AND  
EXTENSION OF PREFERENCES GRANTED BY "CERTAIN CUSTOMS  
AREAS" TO ALL LDC'S. EC (LUYTEN) RESPONDING TO  
INDIANS, SAID IT INTENDED TO PROLONG GSP BEYOND 1980  
AND BROADEN ITS PRODUCT COVERAGE. ON QUESTION OF  
IDENTIFICATION OF LDC INTERESTS, ARGENTINA (RAIMONDI),  
MEXICO (TELLO), BRAZIL AND INDIA NOTED THAT THERE WERE  
GOOD REASONS FOR BOTH STATISTICAL IDENTIFICATION OF  
PRODUCTS AND QUALITATIVE LDC NOTIFICATIONS. INDIA,  
MEXICO, AND YUGOSLAVIA REITERATED OBJECTION TO  
"RECIPROCAL" NOTIFICATIONS BY DC'S TO LDC'S.

U.S. (AMB. WALKER) ADDRESSED COMMENTS ONLY TO E.C. CON-  
CEPT OF EXCEPTING (OR MAKING LESS-THAN-FORMULA  
CUTS) ON LDC EXPORT ITEMS AS MEANS OF PRESERVING  
PREFERENCES. IT STATED THAT SINCE THESE S&D MEASURES  
CROSSED INTO THE AREA OF RULES ON EXCEPTIONS, AN ISSUE  
WE HAD STATED SHOULD NOT BE DECIDED UNTIL THE TARIFF-  
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CUTTING HYPOTHESIS WAS CHOSEN, WE COULD NOT  
PRESENTLY CONSIDER EMBRACING SUCH MEASURES.

LDC'S WERE VOCAL IN SUPPORT OF EC WILLINGNESS TO  
ADOPT S&D MEASURES "IN PRINCIPLE" BEFORE NOTIFICATIONS  
ARE MADE, BUT THEY DID NOT PRESS FOR AGREEMENT NOW.

12. BASE DATES/BASE RATES (BR/BD). U.S. (AMB. WALKER)  
STATED THAT BILATERAL TECHNICAL DISCUSSIONS HAD BEEN  
HELPFUL TO US, AND THAT WE LOOKED FORWARD TO MORE  
FRUITFUL TALKS WITH ASSISTANCE OF TARIFF RATE  
INFORMATION FILE. EC REGRETTED LACK OF CONSOLIDATED  
SCHEDULES FOR CERTAIN COUNTRIES AND INADEQUACY OF  
SOME COUNTRIES' TRIF SUBMISSIONS. IT COMMENTED THAT  
UPDATE TO JAN. 1, 1975 OF TRIF WAS DESIRABLE AND  
THAT TARIFF STUDY DATA SHOULD BE MADE CONCORDABLE TO  
TRIF. AUSTRALIA REMIDED GROUP THAT IT PREFERRED  
JAN. 1, 1973 AS BASE DATE, WITH STATUTORY TARIFFS  
USED TO CALCULATE BASE RATES. JAPAN SIAD ITS  
POSITION REMAINS UNCHANGED. WALKER  
UNQUOTE SISCO

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